



Congressman Ted Poe

2nd District of Texas



THE LATEST ON THE DEBT CEILING DEBATE

I have created this section on my website to ensure my constituents receive the most recent news regarding the pending proposals on the debt limit debate. I will update this page regularly.

Last April, Treasury Secretary Timothy Geithner wrote Congress asking to increase our nation's debt ceiling. However, the Obama Administration offered no plan to curb out-of-control federal spending. Our nation's \$14.3 trillion debt threatens the economic security of future generations and President Obama's budget proposal before the Congress would increase our national debt by another \$10 trillion over the next decade. The federal government currently borrows an unprecedented 43 cents for every dollar spent.

HOW WE GOT HERE

Debt Limit Analysis from independent, bipartisan group

[Bipartisan Policy Center: Debt Limit Analysis](#)

Ways and Means Committee analysis

[Twice the Debt in Half the Time](#)

CURRENT DEBT LIMIT PROPOSALS

Speaker of the House John Boehner's proposal

- [Speaker Boehner, GOP Leaders Outline Two-Step Approach to Cut Spending, Avoid Default](#)
- [CBO: Analysis of the Impact on the Deficit of the Budget Control Act of as Revised in the House](#)
- [CBO Analysis Posted by Speaker Boehner's Press Office \(July 27, 2011\)](#)
- [Republican Leadership Press Conference \(7/26/11\)](#)
- Q&A on Budget Control Act of 2011, (Courtesy of House Republican Leadership). This was updated July 28, 2011.

Q: Where are the immediate cuts in this bill and how much savings does it guarantee in the budgets that the 112th Congress can control?

A: The Budget Control Act makes a down payment on serious spending reforms with cuts and caps totaling \$917 billion over the next ten years. The bill cuts the FY2012 budget deficit by \$22 billion and holds spending below FY2010 levels until FY2016. These are just the first steps in the right direction and House Republicans are optimistic that the Joint Select Committee outlined in the bill will report a credible plan that the Congress will vote on to achieve at least \$1.8 trillion more in deficit reduction in November of this year.

Q: Why should Americans expect this “deficit reduction commission” to prove effective where others have been fruitless?

A: House Republicans will not raise the debt limit – by any amount – without first cutting a larger amount of wasteful Washington spending. We will not give the President a blank check. If Democrats want our help to pay the bills they have racked up after their historic spending binge, Democrat appointees to the Joint Select Committee will be forced to work with us to find \$1.8 trillion in savings later this year, in addition to the \$917 billion in spending cuts that we will pass in the House on Thursday. Only then can the President request another increase in the debt ceiling that will take him past the date on the calendar that he is focused on – Election Day.

Q: Won't the Joint Select Committee called for in this plan just take the path of least resistance and recommend tax increases as part of the "2nd step" requiring \$1.8 trillion in deficit reduction?

A: Only President Obama and Washington Democrats have advocated attaching job-killing tax increases to an increase in the debt limit. If the Joint Select Committee proposes them, House Republicans will defeat them on the floor, and absent additional cuts that are signed into law, the debt limit would not be raised. House Republicans will not allow Washington Democrats to use a spending-driven debt crisis to increase job-destroying taxes, especially when our employment situation is the worst since the Great Depression.

Q: How can anyone be confident that the sequestrations in this new deal will be adhered to? The history of such promises to control future budgets is not one of fiscal restraint.

A: When it comes to spending, Washington has kicked the can down the road too many times. That is why the legislation we pass in the House this week – in addition to real, ten-year spending caps and across-the-board cuts if they are violated – requires both the House and Senate to vote on a balanced budget amendment that will enshrine fiscal responsibility in the Constitution. We find ourselves at the end of the road with no more room to kick the can. The warnings from the ratings agencies such as Moody's and S&P should be a wakeup call to members of both parties that blind faith in the fiscal credibility of the United States cannot go on indefinitely. The threat against our credit rating should be enough to hold Congress accountable to the need to actually change the course of our fiscal affairs, which this bill is designed to do. However, the bill also incorporates strict requirements for appropriations exceeding the caps to be designated as "emergency" spending, requiring concurrence of the President and Congress, and even providing Members the opportunity during the legislative process to strike an emergency designation and to offset the spending with other cuts. Bottom line: this bill changes the spending culture in Washington and puts in place actions that will ensure the federal government lives within its means.

House Republicans will not allow any legislative maneuver to circumvent the spending controls in this bill.

Q: Wouldn't it have been better to take the "Grand Bargain" that included some changes to Medicare and Social Security? This plan just addresses discretionary spending; at least that compromise would have the potential to bend the debt curve down by addressing entitlements.

A: Unfortunately, President Obama ensured that we could not enact the ultimate solution to our nation's debt crisis. The President was never committed to real

spending cuts and fundamentally reforming the drivers of our debt. It's also clear now that he was unyielding in his insistence on tax increases for any deal—a deal was never really even close, particularly as the President moved the goal post last week to try to raise more revenues on the backs of America's families and job creators. The American people have no interest in policies that will destroy jobs and exacerbate our debt crisis, leaving our children and grandchildren to pay the price, and House Republicans won't support job-killing tax hikes. This plan, with the inclusion of a requirement to vote on a Balanced Budget Amendment in both the House and Senate, is the only real way to begin the process of putting our fiscal house back in order.

Q: Why would House Republicans give the President the authority to raise the debt limit by requesting it and then vetoing a disapproval resolution from the Congress? Isn't that the same thing as outsourcing Congress' constitutional responsibility to control federal spending through a purely political maneuver?

A: This framework retains Congress' authority to reject the President's request to borrow more money. The House demonstrated last month that we would not blindly add to the country's crushing debt burden when the clean debt limit increase (H.R. 1954) failed by a vote of 97-318. But the problem is not the debt limit; the problem is the debt. That's why the Budget Control Act of 2011 goes further and implements real cuts and spending caps totaling \$917 billion over the next ten years. Then the plan takes the additional steps of requiring a Joint Select Committee to report bipartisan legislation cutting an additional \$1.8 trillion, which would get an up-or-down vote in both chambers. And finally, our plan also advances the cause of the Balanced Budget Amendment by requiring the House and Senate to vote on the measure before the end of the year.

Q: What do you say to fiscal conservatives who are not happy with this plan?

A: House Republicans passed bipartisan legislation that would solve our nation's debt problems once and for all, the Cut, Cap and Balance Act. True to form, Senator Reid and his Democrat Senate colleagues killed it in the Senate. In order to avoid a default, which could exact extraordinary damage on our economy, House Republicans will pass a measure that will ensure that 1) we will cut spending more than any increase in the debt ceiling, 2) taxes are not increased on America's job creators and families during these difficult economic times, and 3) that both the House and Senate are forced to vote on a balanced budget amendment to the Constitution, which will enshrine fiscal responsibility in the Constitution. While far from perfect, the hard reality is that fiscal conservatives control only 1/2 of 1/3 of our government, but this bill will make sure that the President doesn't receive a blank check to continue his spending binge and that the old ways of Washington of blindly increasing the debt limit without spending cuts are over.

Q: The Treasury Department has shifted the date for the "day of reckoning" twice already, isn't August 2nd equally as specious as the previous dates? And why not call their bluff?

A: We have heard a lot of heated rhetoric and shifting positions from the Administration, but House Republicans, putting the nation's fiscal health before politics, will again demonstrate leadership by putting legislation on the President's desk to continue the process of getting the country off the road to fiscal destruction. Prolonging this problem, regardless of its veracity, serves no one's interests—the American people are frustrated and concerned about Washington's

ability to do the right thing for the country. Nobody can predict the future with perfect certainty so we are taking another step to reduce the uncertainty in the economy and bring an end to the Democrats' job-destroying spending binge. Putting the country on a fiscally sustainable path is more important than testing the patience of the bond market, and we are not confident that the downside risk of holding out is worth the economic costs. The potential for higher structural interest rates makes the possibility of a better deal after August 2nd look less appealing.

Q: How much influence did threats from the ratings agencies warning of a downgrade of U.S. debt have on this bill?

A: What the ratings agencies warned against was not resolving the unsustainable fiscal position of the federal government, and we will only do this by negotiating a deal that cuts the excessive level of government spending, brings real, enforceable reforms to federal budget and spending processes, and forces the federal government to live within its means—putting us on a path to paying down the nation's debt. House Republicans remain focused on solving our fiscal problems and not further burdening American families with job-destroying tax increases. This plan is a critical first step in helping Americans who are in desperate need of a job.

Q: Is the GOP acknowledging the Administration's position that the debt limit absolutely must be raised? Why not force the President to decide who gets paid and where the cuts come from?

A: If we had done nothing, the Treasury Department would have been forced to use incoming tax revenues (approximately \$200 billion per month) to pay

obligations as they come due. With approximately \$300 billion in expenses coming due each month, there was no way to ensure that the Administration would appropriately prioritize payment of the federal government's bills. We knew there would not be a sovereign default by the United States government, but we could not countenance that the President's irresponsible lack of a Plan B would mean seniors miss a Social Security check or soldiers in the field are not paid on time.

Q: Why did the House not pass legislation prioritizing which creditors get paid if the debt limit were not raised?

A: House Republicans believe that Treasury already has the authority to prioritize payments of the government's bills. This includes things like Social Security payments to seniors, Medicare payments to doctors, and salary payments to troops in the field, all in addition to the interest and principal owed to our bondholders—if the Treasury had enough in current tax revenue to make these payments. This bill ensures that the federal government will meet all of its commitments in the immediate term while we make substantial cuts in the coming years and put the federal government on a path to finally live within its means. The unfortunate truth is that even if there were statutory priorities, it would still only be a matter of time until an obligation of the federal government went unpaid.

Q: Have Republicans ceded that no reforms to mandatory spending are necessary and why did Republicans not take earlier versions of a deal with the President that included Social Security and Medicare changes?

A: House Republicans entered negotiations with the Administration in good faith and with the intention of addressing our fiscal problems. Our position was

straightforward and fair: the cuts should be greater than the debt ceiling increase and we would not raise taxes on America's job creators in a weak economy. Unfortunately, the President's focus on reelection and insistence on increasing taxes in a struggling economy have forced us to abandon talks with the White House and seek a bipartisan agreement with our colleagues in Congress. We decided that with millions unemployed and anemic economic growth, true leadership and doing what was best for the country was more important than political disputes with the White House that's more concerned about reelection than the American people. We maintain that reducing spending and reforming the federal budget process is critical for the economic health of our country, and we believe the best mechanism to do that is the plan agreed to over the weekend by the leaders of both parties in the House and Senate.

Q: Why won't Republicans admit that the current budget imbalance needs to be resolved through both spending cuts and revenue increases?

A: No serious person will argue that Washington taxes too little; the problem is it spends too much. That is why House Republicans have insisted on attacking this problem from the spending side. We have always acknowledged that some revenue could be raised by eliminating loopholes in the tax code but that should be offset by lowering the tax rates for everyone to make our economy more competitive. A net tax increase is detrimental to our economic recovery and does nothing to help the 14 million Americans who are out of a job.

Q: What would the impact of not raising the debt limit be on American families?

A: The market volatility that could result from not getting federal spending under

control or not passing this plan could lead to significant costs for all Americans. If investors lose confidence in the full faith and credit of the United States and its ability to make difficult choices on spending, the interest rates on Treasuries could rise as capital is invested outside the U.S.

Because Treasuries are a benchmark borrowing rate for nearly the entire economy, consumers could see all borrowing costs go up, which means loans for things such as college tuition or cars become more expensive. Individuals in the market to buy a house could see mortgage interest rates rise prohibitively. Entrepreneurs seeking to start a small business might find loans for their new business unaffordable.

Home prices and retirement savings account values could decline, hurting the economic security of middle income families and leading to lower spending and investment, which would exacerbate our jobs crisis.

Additionally, if the value of the dollar declines as its legitimacy in the international financial system is questioned, all Americans will see their purchasing power decrease as the prices of food and gas increase even more than they already have this year. All of these increased costs could add up to hundreds of dollars per month that family budgets cannot withstand in this weak economic recovery.

Q: Wasn't it Republicans' refusal to consider revenue increases that have created the potential for market volatility? Why not compromise and minimize the economic uncertainty?

A: The one thing that is sure to drive interest rates up and portend an economic catastrophe in the future is raising the debt limit and continuing the tax-borrow-spend policies that Democrats advocate. Not changing the trajectory of our debt and spending would surely be a catalyst for future economic pain—this was the path laid out by the President's FY2012 budget, the road to ruin. Conversely,

House Republicans presented an alternative vision for America's economic future in our FY2012 budget, one that deals with entitlement spending and tax reform, putting the country on a path to prosperity. For the immediate term, the House passed a credible way out of this debt ceiling crisis: Cut, Cap, and Balance. It is in that framework that we have crafted a bipartisan plan with Senate leadership to avert pushing the economy back into recession.

Q: Why are House Republicans negotiating with themselves?

A: House Republicans passed bipartisan legislation that would solve our nation's debt problems once and for all, the Cut, Cap and Balance Act. True to form, Senator Reid and his Democrat Senate colleagues killed it in the Senate. In order to avoid a default, which could exact extraordinary damage on our economy, House Republicans will pass a measure that will ensure that 1) we will cut spending more than any increase in the debt ceiling, 2) taxes are not increased on America's job creators and families during these difficult economic times, and 3) that both the House and Senate are forced to vote on a balanced budget amendment to the Constitution, which will enshrine fiscal responsibility in the Constitution. While far from perfect, the hard reality is that fiscal conservatives control only 1/2 of 1/3 of our government, but this bill will make sure that the President doesn't receive a blank check to continue his spending binge and that the old ways of Washington of blindly increasing the debt limit without spending cuts are over.

Q: What would be the impact of not passing this bill?

A: The economic uncertainty created by not passing this bill could lead to an increase in interest rates that would increase interest costs on the federal debt.

Some industry estimates have projected a 60 basis point rise in Treasuries, which could add \$100 billion a year in debt service—that's an additional \$1,300 per year for a family of four to support the federal government's borrowing. Taking it a step further, such uncertainty could result in a structural rise in interest rates on such things as small business loans, credit cards, mortgage rates, car loans, or student loans—this could lead to hundreds of dollars in additional borrowing costs. In short, all Americans could see their budgets stretched unnecessarily in this time of economic weakness.

Majority Leader, Harry Reid's proposal

- [CBO: Analysis of the Impact on the Deficit of the Budget Control Act of as Proposed in the Senate](#)
- As of now, no published breakdown of the plan has been distributed.